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TAGS: [ETRD](#) [ECON](#) [AR](#) [BR](#)
SUBJECT: Argentina and Brazil Consider New Trade Barriers

Reftels: A. Buenos Aires 1415
[B](#). Buenos Aires 1443
[C](#). Buenos Aires 1537

SUMMARY

[1](#). (SBU) Argentine and Brazilian officials discussed in Argentina November 17 a new Brazilian plan to subsidize consumer auto financing that will include autos imported from Argentina. They also reviewed recently imposed Argentine non-tariff barriers and Argentina and Brazil's common interest in having the Mercosur trade bloc raise its external tariff rates on a short list of products. GoA trade officials argue that Argentine non-tariff barriers are not substantially protectionist and are limited in scope. U.S. and European importers confirm they are thus far limited in impact. End Summary.

Bilat Issues - Cars, Licenses, and the big MAC

[2](#). (SBU) Argentina and Brazil held a bilateral meeting on trade issues on November 17 in Buenos Aires, led by GoA Secretary of Industry and Trade Fernando Fraguio (Ministry of Economy) and Welber Barral, Brazilian Secretary of Foreign Trade (Ministry of Development, Industry and Commerce). Adrian Makuc, National Director of Trade Policy in the Ministry of Economy, attended the meeting and reported to Econoff that discussion focused on their bilateral automotive sector accord (Ref B) and on a new GoB plan to subsidize domestic consumer credit for new car purchases. According to Argentine Ministry of Economy official Mabel Ganzana, GoB participants assured their GoA counterparts that the availability of credit subsidies would not depend on where the car was manufactured. (Over one-third of total Argentine automotive sector production is exported to Brazil, Ref B.)

[3](#). (SBU) On Argentina's recent imposition of non-automatic license and reference price non-tariff barriers (NTBs) on imports (ref A), Makuc noted that "Brazilians are used to Argentine licenses," since the GoA had applied similar NTBs on household appliances from Brazil four years ago, and on several other products since. Makuc confirmed that GoA concern over increased imports centered on Chinese products, not Brazilian. Contrary to press reports that the proposed Competitive Adaptation Mechanism (MAC, a quasi-safeguard mechanism, Ref C) was discussed at length, Ernesto de la Guardia, Counselor in the Argentine MFA's MERCOSUR office and a participant in the meeting, reported that it wasn't discussed at all. He said the GoA simply passed Brazil Argentina's proposed MAC implementing regulations, which the GoB accepted to "study." The GoB has yet to finish drafting its own MAC implementing regulations.

MERCOSUR - Raise the External Tariff

14. (SBU) Makuc and de la Guardia confirmed that both delegations made requests to increase a number of MERCOSUR Common External Tariff (CET) line item tariffs, which will be presented for consideration by the entire trade bloc at the upcoming mid-December MERCOSUR Council meeting in Brazil. The GoA requested CET increases for 173 tariff lines of various synthetic and natural yarns (tariffs of 14/16/18% would be raised to 19%); suitcases or bags made of plastic, fabric, or both (three line-items with tariffs going from 20% to 35%); and 22 tariff line-items of wooden furniture (from 18% tariffs to 20%). Makuc explained that the reason for the desired addition of yarns was simply to include earlier stages of the value-added chain for textile products which MERCOSUR allowed Brazil and Argentina in September 2007 to raise tariffs on, a decision that Argentina only implemented in October 2008. GoB requests were for increased CET rates on dairy products and peaches (according to Makuc, eleven tariff line-items of dairy and three of peaches).

Announced and Anticipated Measures Limited in Scope

15. (SBU) Makuc and de la Guardia both stressed the limited number of trade goods potentially affected by proposed CET tariff increases, and that most proposed increases were small. Makuc also doubted that the new GoA non-automatic license and reference price non-tariff barriers (ref A) will have a significant effect on imports. American company representatives on the American Chamber of Commerce in Argentina's Trade Committee told Embosffs October 22 that they had not to date experienced any delays or other problems arising from those new measures. Eighteen EU Economic Counselors, in a meeting with EconCouns on November 13, said their firms had not experienced any undue delays. EU Political & Economic Affairs Counselor Carlos Gimeno Verdejo went further, stating that the measures appear "largely cosmetic and aimed (by the GoA) at placating domestic interests who feel threatened by the (Brazilian) Real's devaluation and by China's export strength."

Comment

16. (SBU) Industry and Trade Secretary Fraguio has argued that GoA policy is "not protectionist" (Ref C), but has made clear the GoA's intent to safeguard domestic employment. With the largest union in the country calling for triple-severance pay for fired workers to discourage downsizing, Fraguio's statements as well as recent public comments by President Fernandez de Kirchner calling on the private sector not to lay off workers are understandable. That new Argentine non-tariff barriers and proposed CET increases are limited in scope and, according to multinational importers, marginal in effect suggests that the GoA's trade policy response to the global financial crisis appears more protectionist than it actually is.

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